Chapter 1

General Information

A savings bond represents a loan made to the United States by an investor. Bonds are registered securities backed by the full faith and credit of the United States; they cannot be sold in a secondary securities market or used as collateral.

Series Available

Series EE bonds are savings securities designed to encourage savings by the small investor. Series EE bonds cannot be sold in a secondary securities market or used as collateral. For full disclosure of terms and conditions of EE bonds, see Department of Treasury Circulars, Public Debt Series No. 1-80 and No. 3-80.

EE bonds are accrual type bonds and are purchased at a 50% discount; for example, you pay $25 to buy a $50 bond. Interest accumulates and is paid as part of the redemption value when the bond is cashed. Series EE bond interest accrues monthly and is compounded semiannually. Bonds issued on or after May 1, 2005 earn fixed rates of interest. The fixed rate remains constant for the 30-year life of the bond, which includes a 10-year extended maturity period, unless a different rate or rate structure is announced and applied at the start of the extension period.

Series I bonds are inflation-indexed savings securities designed to help protect investor purchasing power. Series I bonds cannot be sold in a secondary securities market or used as collateral. For full disclosure of terms and conditions of Series I bonds, see Department of Treasury Circulars, Public Debt Series No. 1-98 and No. 2-98.

I bonds are accrual type bonds issued at par (face value); for example, you pay $50 to buy a $50 bond. Interest accumulates and is paid as part of the bond's redemption value when the bond is cashed. Series I bonds usually increase in value monthly; interest compounds semiannually. The Series I bond earnings rate reflects the combination of a fixed rate and an inflation rate. The fixed rate remains constant for the life of the bond, but the inflation rate can vary every six months. Series I bonds can earn interest for up to 30 years.

TreasuryDirect was once the name of an account system for Treasury bills, notes, and bonds; TreasuryDirect is now the brand under which Treasury will offer a full array of information, products, and services to all of its customers. In addition to Investment Services for Treasury Bills, Notes, and Bonds, a separate account system offers paperless EE and I bonds under the TreasuryDirect umbrella. This new account system includes marketable securities (Treasury bills, notes, and bonds), providing customers with the opportunity to hold a mixture of marketable and savings products directly with Treasury in a single account. To learn more, go to www.treasurydirect.gov.

Denominations

Paper Series EE and I savings bonds are offered in eight denominations. The table below illustrates the different denominations that are offered.

Series EE Savings Bonds			
Prefix	Denomination (Face Amount)	Purchase Price	Portrait
L	$ 50[1]	$ 25	George Washington
K	75[1]	37.50	John Adams
C	100	50	Thomas Jefferson
R	200	100	James Madison
D	500	250	Alexander Hamilton
M	1,000	500	Benjamin Franklin
V	5,000	2,500	Paul Revere
X	10,000	5,000	James Wilson

Series I Savings Bonds			
Prefix	Denomination (Face Amount)	Purchase Price	Portrait
L	$ 50	$ 50	Helen Keller
K	75	75	Dr. Hector Garcia
C	100	100	Martin Luther King Jr.
R	200[2]	200	Chief Joseph
D	500	500	General George C. Marshall
M	1,000	1,000	Albert Einstein
V	5,000	5,000	Marian Anderson
X	10,000[2]	10,000	Spark Matsunaga

[1] *These denominations are not available for purchase through payroll savings plans or employer thrift, savings, vacation, 401(K), or similar plans.*
[2] *The $200 and $10,000 denominations were not available for purchase before May 1999; therefore, the earliest available issue date for these two denominations is May 1999.*

Eligible Owners

Persons eligible to have bonds registered in their names as owner or first-named co-owner on original issue include:

Series EE

- Residents of the United States, its territories and possessions, and the Commonwealth of Puerto Rico
- Citizens of the United States residing abroad
- Civilian employees of the United States or members of its Armed Forces, regardless of residence or citizenship, provided they have a taxpayer identification number (TIN)
- Residents of Canada or Mexico who work in the United States, but only if the bonds are purchased through a payroll savings plan and the owner provides a TIN

Series I

- Any individual with a valid United States taxpayer identification number, regardless of residency or citizenship

Individuals not included on this list may, however, be designated as co-owner, beneficiary, or as the owner in an authorized reissue transaction, unless the individual is a resident of any area where the Treasury restricts or regulates the delivery of checks drawn on U.S. funds. Restricted areas include: Cuba, Iran, Iraq, North Korea, Sudan, and Syria. A person who resides in a restricted area and becomes the owner of a savings bond through the death of another person or otherwise may hold the bond without change of registration with the right to redeem the bond if the person later resides in an unrestricted area. For the most up-to-date list of restricted areas, go to www.ustreas.gov/offices/enforcement/ofac/sanctions/index.html.

Registration

Paper savings bonds are issued only in registered form.. The registration must specify the actual ownership of and interest in the bond. Registration is conclusive of ownership.

Authorized Forms of Registration

There are several authorized forms of registration for bonds. See the chart below for details.

Individuals (Series EE and I)

The registration of paper bonds issued to individuals may take three forms:

Single Ownership (one individual)	**Co-ownership** (two individuals as co-owners)	**Beneficiary** (one owner and one beneficiary)
Example:	*Example:*	*Example:*
123 45 6789* John Q Doe	123 45 6789* John Q Doe OR Mary S Doe	123 45 6789* John Q Doe POD *(payable on death)* Mary S Doe
Only the registered owner may redeem the bond. At the death of the owner, the bond becomes the property of the bond owner's estate.	Either co-owner may cash the bond without the knowledge or approval of the other. At the death of one co-owner, the surviving co-owner becomes the sole owner of the bond.	The bond is redeemable only at the request of the registered owner. The beneficiary becomes the owner of the bond at the death of the original owner.

* *The full social security number will not appear on the bond. It will be masked and appear as *** ** 6789.*

Please note only two names are allowed per bond registration. *For bonds in co-ownership form, one of the co-owners is considered the "principal co-owner" for federal income tax purposes. The principal co-owner is the co-owner who (1) purchased the bonds with his or her own funds or (2) received the bonds as a gift, a legacy, an inheritance, or as a result of judicial proceedings and had the bonds reissued (re-registered) in co-owner form.*

The Department of Treasury or the United States can be listed as a beneficiary on Series I bonds, but not as co-owner. The social security number (SSN) of the owner or first-named co-owner is required on all savings bonds. These numbers are used to establish and maintain ownership records of savings bonds, but they are not used for federal income tax reporting purposes prior to redemption. If the registered owner's or first-named co-owner's number is unavailable for a paper gift bond, that is, a bond that will not bear the purchaser's name as owner or co-owner, the purchaser's SSN is used. In all cases, the full SSN will not appear on the bond. It will be masked and appear as *** ** 6789.

Fiduciaries, Private or Public Organizations, Associations, and Public Bodies

Paper bonds purchased in a name other than an individual must include an employer identification number. Organizations cannot be named as co-owners or beneficiaries. For other authorized forms of registration, see Department of the Treasury Circular, Public Debt Series No. 3-80, Sec. 353.7, paragraphs (b) through (e).

Private or public organizations, associations, and public bodies in their own right may be named owners of Series EE bonds only. Series I bonds may **not** be registered in the name of organizations, associations, public bodies, corporations, sole proprietorships, etc. in their own right.

Series EE – A fiduciary may be any individual or entity who manages another person's property, such as a trustee, guardian, conservator, custodian under a gift to minor or transfer to minor statute. *(See Appendix A for examples of fiduciary registrations.)*

Series I – Fiduciary registrations are limited to personal trust estates, guardians or conservators for estates of living individuals, or testamentary trust estates.

Fiduciary	Private Organization
The registration of bonds issued to a fiduciary takes the following forms: 12-3456789* John Doe Trustee under agreement with Mary Roe dated 12/17/94 or in an abbreviated form: 12-3456789* John Doe Tr U/A Mary Roe dtd 12/17/94 *See Appendix A for examples of additional trust registrations.*	The registration of bonds issued to a private organization takes the following form: 12-3456789* Smith Manufacturing Company a corporation

** The employer identification number will be masked on the actual bond and appear as ** *** 6789.*

Minor Involved in Bond Purchase

Purchase Made by Minor
Minors may purchase paper bonds with their own wages, earnings, or other funds under their control.

Purchase Made by Someone Other Than Minor
If the purchaser uses the minor's funds, the bond should be registered in the minor's name alone with no co-owner or beneficiary. If the purchase is made by a court-appointed representative of a minor's estate, the bond may be registered in the minor's name or in the name of the representative, followed, in either case, by an appropriate reference to the guardianship or fiduciary capacity.

When the purchaser's funds are used, the bond may be registered in the name of the minor as the owner, co-owner, or beneficiary.

Gift to Minors
A paper bond may be purchased as a gift to a minor under a gift to minors or transfer to minors statute in effect in the state in which the donor, the custodian, or the minor resides. Such bonds shall be registered as provided in the statute and no co-owner or beneficiary can be named on the bonds. *(See Appendix L.*)

Natural Guardians
A paper bond may be registered in the name of either parent of a minor as the natural guardian. A co-owner or beneficiary may be named if the funds used to purchase the bond do not belong to the minor.

Bonds for Education
See *"Education Savings Options"* in this chapter.

Incompetent Involved in Bond Purchase
A paper bond may be registered in the name of an incompetent if a legal representative has been appointed by the court for that person's estate. A reference to the legal guardian or similar fiduciary must be included in the registration of the bond. No co-owner or beneficiary can be named on a bond purchased with funds belonging to the incompetent.

Gifts to the United States
Some people buy paper bonds with the intent of making the bonds a gift to the United States upon their death. In this case, the United States Treasury is named as either the co-owner or beneficiary of the bond. For Series I bonds, the United States Treasury can only be listed as a beneficiary and not a co-owner. Advise purchasers that these bonds may not be reissued to change such a designation, except in the case of Series EE, HH, or I bonds on which the Treasury has been designated as beneficiary.

Forms of Payment

All denominations may be purchased through issuing agents. People may purchase paper Series EE and I bonds using any of the following forms of payment:

Cash
Cash is acceptable as payment of the purchase price of a bond. Although it is an acceptable form of payment for savings bonds, cash should not be sent in the mail to the servicing FRBs.

Checks or Money Orders
You may accept checks or money orders from non-customers at your own risk. If checks or money orders are accepted, purchase orders should not be dated and submitted until such checks or money orders have cleared and been collected. *(For further details, see "Completing the Order Form" in Chapter 2.)* If a check or money order is returned as uncollectible after the related purchase order has been submitted, you should take the necessary action to collect the amount of the check or money order. If unable to collect that amount, you must accept the loss.

If checks are accepted, purchase orders should not be dated and submitted until such checks have cleared and been collected.

Savings Stamps
Savings stamps are worth their face amounts; the denominations are $0.10, $0.25, $0.50, $1, and $5. The sale of savings stamps was discontinued June 30, 1970.

U.S. Savings Stamps can be used as full or partial payment for Series EE savings bonds. You may accept and redeem savings stamps presented solely for cash payment, but you are not required to do so. If you choose not to redeem savings stamps presented for cash payment, you should forward them to your servicing FRB for payment. You should also include payment instructions with the stamps.

Redeeming Savings Stamps
When redeeming stamps for cash or accepting them as payment for Series EE bonds, you should determine whether the stamps have been marked or mutilated in such a manner as to be of questionable value or identity, or to indicate previous cancellation. Stamps that have been torn or partially burned may be approved for redemption provided (1) more than one-half of the same stamp remains and (2) its identity and denomination can be established.

You should affix loose stamps securely and separately to a card or a sheet of paper. Be sure to include the owner's name and address on the card or paper. You should immediately cancel the stamps to prevent their presentation a second time by using a rubber stamp with permanent ink or by perforation, without obliterating the identity or denominational value of the stamps. On each card or paper submitted, record (1) the total value of the attached stamps, (2) the name and address of the presenter, and (3) your institution's name and location.

After canceling redeemed stamps, send them to your servicing FRB. Include an adding-machine tape or other listing providing the value of each card or paper submitted and the total value for all stamps in the shipment. The FRB will notify you of any discrepancies found.

Purchase Limits

Paper Series EE bonds are limited to an investment of $30,000 (purchase price) or $60,000 (face amount) per person (first-named owner or first-named co-owner), per calendar year. Bonds purchased in earlier years do not affect the current year's limitation. Bonds purchased and redeemed (or exchanged prior to September 1, 2004) in the same calendar year are also excluded from the computation.

Paper Series I bonds are limited to an investment of $30,000 (face value) per person (first-named owner or first-named co-owner), per calendar year. The Series I bond purchase limit is computed separately from the limit on Series EE bond purchases. Bonds purchased in earlier years do not affect the current year’s limitation. Bonds purchased and redeemed in the same calendar year are also excluded from the computation.

Investment amounts in Series EE and Series I bonds are limited by calendar year.

Annual Limitation on Paper Series EE Savings Bond Purchases		
Bond Registration	**Issue Price**	**Face Amount**
Single Owner	$ 30,000	$ 60,000
Co-owners	$ 30,000	$ 60,000
Owner with Beneficiary	$ 30,000	$ 60,000
Fiduciary (e.g., trust, estate)	$ 30,000	$ 60,000
Annual Limitation on Paper Series I Savings Bond Purchases		
Single Owner	$ 30,000	$ 30,000
Co-owners	$ 30,000	$ 30,000
Owner with Beneficiary	$ 30,000	$ 30,000
Fiduciary (e.g., trust, estate)	$ 30,000	$ 30,000

Co-owners: Bonds purchased in co-ownership form will be applied toward the annual purchase limit of the first-named co-owner. Bond owners are no longer permitted to attribute to either co-owner, or apportion between co-owners, bonds bearing the names of two people as co-owners.

Beneficiary: Purchases are attributable to the owner, not the beneficiary.

Fiduciary Capacity: Bonds registered in the names of trusts, guardians or others serving in fiduciary capacities are computed separately from the fiduciary's own bonds on which he or she is named individually as owner or co-owner.

Gifts: Bonds that are purchased as gifts are not included when determining whether or not the purchaser's own bonds are in excess of the limit.

Note: An individual may purchase $30,000 in his/her name using his/her social security number; then purchase an additional $30,000 in a trust registration using the tax identification number assigned to the trust.

The issue date is important because it determines when a bond begins earning interest, increases in value, and stops earning interest.

A paper bond's issue date is the first day of the month in which you receive and accept the issue price and a properly completed and signed purchase order. The issue date is important because it determines when a bond begins earning interest, increases in value, and stops earning interest.

If you receive the purchase order after your normal daily cut-off time for dating transactions, you may date the purchase order as of the next business day. Be sure to inform customers who pay for bonds with a check that the issue date for their bonds will be the first day of the month in which their funds are accepted and available.

Over-the-Counter Purchases at End of Month

If your financial institution treats services provided in the evening hours or on weekends as the next business day's transactions, then savings bond sales transactions may be treated in the same manner. For example, if a purchaser submits an order on Saturday, July 31, change the date on the purchase order to the next business day, August 2, and inform the purchaser of the change in the bond's issue date. The purchaser must initial the change.

Payroll Savings Plan Purchases

The bond purchaser is entitled to an issue date for the month in which the full purchase price is accumulated. However, the actual issue date for a payroll paper savings plan bond is the month in which the full purchase price is received by the servicing FRB.

On occasion, the purchase price of employee's bonds is accumulated near a month's end, but the employer is unable to forward the payment and bond registration data to the bond-issuing institution until the next month. In this case, the bonds are entitled only to an issue date of the latter month. These bonds may be entitled to the earlier issue date if the employer arranges to deliver the purchase price to the servicing FRB in the same month the employees completed payment, even though the bond registration data cannot be submitted until the next month. The employer is expected to supply the bond registration data as soon as possible in the month following the payment.

Interest and Maturity

See Appendix J for detailed questions and answers about interest on these bonds/notes.

Paper Series E/EE Bonds and Savings Notes - Accrual Type
Interest accrues and is paid as part of the redemption value when a Series E/EE bond or savings note is cashed. The issue date determines when a bond begins earning interest, increases in value, and stops earning interest. The rate at which bonds earn interest also depends on the issue date. The issue date is the first day of the month in which full payment is received by an agent authorized to accept purchase order forms.

Paper Series EE Bonds Issued May 2005 and After
Paper Series EE bonds are sold at half their face value and are available in denominations ranging from $50 through $10,000. Series EE savings bonds bought on May 1, 2005 or after will earn fixed rates of interest. The new fixed rate will apply for the 30-year life of each bond, which includes a 10-year extended maturity period, unless a different rate or rate structure is announced and applied at the start of the extension period.

Rates for new issues will be adjusted each May 1 and November 1, with each rate effective for all bonds issued through the following six months. Interest accrues monthly and is compounded semiannually.

Savings bonds must be held a minimum of one year. A 3-month interest penalty will apply to bonds cashed before 5 years.

At a minimum, Treasury guarantees that a bond's value will double after 20 years (its original maturity.) It will continue to earn the fixed rate set at the time of issue unless a new rate or rate structure is announced. If a bond does not double in value as the result of applying the fixed rate for 20 years, the Treasury will make a one-time adjustment at original maturity to make up the difference.

Paper Series EE Bonds Issued May 1997 through April 2005
Rates for Series EE savings bonds bought May 1, 1997 through April 2005 are 90% of the average yields on 5-year Treasury securities over the six months preceding rate announcements. Rates are announced each May and November; but, for these particular EE bonds, the rate changes on each six-month anniversary of the bond's issue date. For example, the 6-month earning period for a bond issued in May is May through October; the rate would change on May 1 and November 1. For a bond issued in June, the 6-month earning period is June through November, and the rate would change on June 1 and December 1.

These EE bonds increase in value every month; interest is compounded semiannually.

A 3-month interest penalty will apply to bonds cashed before 5 years. This rewards longer-term bond holders who then benefit from higher 5-year rates over the full life of the bond. If a bond is redeemed before it is five years old, the last 3 months worth of interest is forfeited. For example, if a bond was bought in May 1997 and cashed 24 months later in May 1999, the bond owner received their original investment back plus 21 months of interest. The value of the bond would be based on the announced rates applied over the 21-month period from May 1, 1997, to February 1, 1999.

Series EE bonds earn interest for 30 years. This long life allows investors to use savings bonds for truly long-term goals like education and retirement.

Because the interest for these bonds is pegged to market rates every six months, there's no way to predict when a bond will reach its face value. In the unlikely event that rates are so low that a paper bond with a June 2003 or later issue date doesn't reach face value by the time it is 20 years old, Treasury will make a one-time adjustment to increase the bond's value to face value at that time. For paper bonds issued May 1997 through May 2003, Treasury will make a one-time adjustment if the bond does not reach face value by the time it is 17 years old.

Paper Series EE Bonds Issued May 1995 through April 1997
Series EE savings bonds issued May 1, 1995 through April 30, 1997, earn interest based on market yields for Treasury securities. Each May 1 and November 1, Treasury determines a long-term rate which is applied to these bonds from five years through 17 years. Bonds will continue to earn interest from 17 years through 30 years at the rates established for bonds issued in this time period. These Series EE bonds earned short-term rates for the first five years.

Series EE bonds earn the long-term rates from 5 years through 17 years. The long-term rate is 85% of the average of 5-year Treasury security yields. A new rate is determined May 1 and November 1. The May 1 rate reflects market yields during the preceding November through April and the November 1 rate reflects market yields during the preceding May through October.

The rate applies to the first semiannual earning period for a bond beginning on or after May 1 or November 1. Earnings will be reflected in the bond's value six months later.

Interest will be added to the value of the bonds every six months. Bonds will increase in value six months after purchase and every six months thereafter. For example, a bond bought in June will increase in value on December 1 and on each following June 1 and December 1. When the bonds are cashed, the bond owner will receive the value of the bonds as of the last date interest was added. If the bonds are redeemed between dates on which they increase in value (accrue interest), the bond owner will not receive interest for the partial period.

See Appendix B for a table listing the interest accrual dates.

Paper Series E/EE Bonds and Savings Notes Issued Before May 1995
The rate at which these bonds earn interest depends on their issue date. Some bonds are earning guaranteed minimum rates. Still others are earning market-based rates. (All savings notes and some Series E bonds have stopped earning interest.) These bonds earn interest at either guaranteed minimum rates for the entire period from the date of issue or market-based rates for the entire period from the date of issue (or if issued before November 1982, from the bond's first interest accrual date on or after November 1, 1982), whichever produces the higher redemption value.

Guaranteed minimum rates were set at the time a bond was issued. This initial minimum rate applies for a bond's original maturity period and is subject to change as a bond enters an extended maturity period. When a bond enters an extended maturity period, its guaranteed minimum rate (for the new period) becomes the minimum rate in effect at that time for pre-May 1995 issues. For guaranteed minimum rates, contact your servicing Federal Reserve Bank.

Market-based rates are based on the 5-year Treasury securities yields that are calculated each May 1 and November 1. The market-based savings bond rate is set at 85% of the average of these yields for the applicable earning periods.

Series EE Bonds Issued March 1993 through April 1995
Bonds with issue dates of March 1993 through April 1995 have a guaranteed minimum rate of 4% per year, compounded semiannually. These bonds have an original maturity period of 18 years. Once they've been held for five years, they become eligible for market-based rates. For current rates, contact your servicing Federal Reserve Bank, or use the online Savings Bond Calculator at www.treasurydirect.gov/sav/savprice.htm.

Series EE Bonds Issued November 1982 through February 1993
These bonds begin earning interest on a fixed graduated scale that starts at 4.16% at six months and increases during the first five years to reach a guaranteed minimum rate at five years. Bonds with issue dates of November 1986 through February 1993 had a guaranteed minimum rate of 6% per year, compounded semiannually, for their **12-year original maturity period**. Bonds with issue dates of November 1982 through October 1986 had a guaranteed minimum rate of 7.5% per year, compounded semiannually, for their **10-year original maturity period**. These bonds are eligible for market-based rates once they're held for five years. For current rates, contact your servicing Federal Reserve Bank, or use the online Savings Bond Calculator at www.treasurydirect.gov/sav/savprice.htm.

Series EE Bonds Issued Before November 1982
These bonds, if they have not reached final maturity and stopped earning interest, are earning interest at either guaranteed rates from the bond's first interest accrual dates on or after November 1, 1982, or at market-based rates for that entire period, whichever produces the higher redemption value.

See Appendix B for a table listing the interest accrual dates

Series H/HH Bonds - Current Income Type
Important Note: Treasury discontinued offering Series HH bonds on August 31, 2004. Although no new bonds will be issued, existing bonds will continue to earn interest until redemption or final maturity, whichever event happens first.

Interest is paid every six months by direct deposit (ACH) to an account in the owner's or co-owner's name. Series HH bonds are issued for an original term of 10 years and are granted one 10-year extension giving them a full life of 20 years. Interest rates are subject to change when a bond enters an extension period. Series HH bonds issued January 1, 2003 and later and Series H/HH bonds entering an extended maturity period January 1, 2003 and later earn interest at the fixed rate of 1.5%. All other Series H/HH bonds earn interest at the fixed rate of 4.0%.

You may direct your customers to **www.treasurydirect.gov/sav/sbhhbits.htm** where they can log on and manage their account. Through the H/HH Internet Services site, they can view their account, change their address, and request tax information by way of a safe and secure access. You cannot sign-up for direct deposit on this site.

Original and Final Maturity
Until original maturity, bonds earn interest according to the terms and conditions established at the time they were issued. When a savings bond has reached its original maturity, it enters an extended maturity period. Extended maturity periods are generally 10 years but can be longer or shorter to complete an overall life span of 20, 30, or 40 years. Bonds can continue to enter additional extended maturity periods to reach final maturity. Bonds continue to earn interest until final maturity.

The maturity periods for all series of savings bonds may also be found at **http:/www.treasurydirect.gov/sav/sbfaqmat.htm.** Your customers can also check for bonds that have reached final maturity and for interest payments or bonds returned to the Treasury as undeliverable using Treasury Hunt, found at **www.treasurydirect.gov/indiv/tools/sav/sbtdhunt.htm.** If these electronic tools are not accessible to your financial institution, please contact your servicing FRB.

Series I Bonds
Series I bonds usually increase in value monthly, and interest is compounded semiannually. The interest accumulates and is paid as part of the redemption value when a bond is cashed. Series I bonds can earn interest for up to 30 years.

Series I bonds earn interest at earnings rates, which reflect the combination of fixed rates and semi-annual inflation rates. Each May 1 and November 1, Treasury announces a Series I bond earnings rate for bonds issued in the next six months. Although the inflation rate may vary, the fixed rate applies and remains unchanged for the life of the bond.

Series I bonds earn interest at earnings rates, which reflect the combination of fixed rates and semi-annual inflation rates.

Series I Bond Fixed Rate

The Secretary of the Treasury announces a fixed rate each May 1 and November 1 that will apply to all Series I bonds issued during the six-month period following the rate announcement. The fixed rate in effect when a bond is issued remains constant for the bond throughout its 30-year life. For example, a fixed rate announced on November 1, 1998 is the fixed rate for Series I bonds issued in November 1998 through April 1999, and remains the same for the life of those bonds.

Series I Bond Inflation Rate

A semiannual inflation rate is derived from the Consumer Price Index for All Urban Consumers ("CPI-U"), published by the Bureau of Labor Statistics and changes every six months. The rate reflects the percent change in the CPI-U index over a six-month period ending at least one month prior to publication of the rate announcement. For example, the inflation rate published in the November 1, 1998 announcement reflects the change in the index from its March 1998 level to its September 1998 level.

Treasury uses both negative and positive changes in the CPI-U. If, during periods of deflation, the CPI-U index decreases enough to cause a negative earnings rate, the value of the Series I bond will remain constant until the earnings rate again produces an increase in the bond's value.

Original and Final Maturities of Bonds

Issue Date	Original Maturity	Final Maturity
Series EE Bonds		
June 2003 - Present	20 years	30 years
May 1995 - May 2003	17 years	30 years
Mar 1993 - Apr 1995	18 years	30 years
Nov 1986 - Feb 1993	12 years	30 years
Nov 1982 - Oct 1986	10 years	30 years
May 1981 - Oct 1982	8 years	30 years
Nov 1980 - Apr 1981	9 years	30 years
Jan 1980 - Oct 1980	11 years	30 years
Series E Bonds		
Dec 1973 - Jun 1980	5 years	30 years
Jun 1969 - Nov 1973	5 years, 10 months	30 years
Dec 1965 - May 1969	7 years	30 years
Jun 1959 - Nov 1965	7 years, 9 months	40 years
Feb 1957 - May 1959	8 years, 11 months	40 years
May 1952 - Jan 1957	9 years, 8 months	40 years
May 1941 - Apr 1952	10 years	40 years
Savings Notes		
May 1967 - Oct 1970	4 years, 6 months	30 years
Series HH Bonds		
Jan 1980 - August 2004	10 years	20 years
Series H Bonds		
Feb 1957 - Dec 1979	10 years	30 years
Jun 1952 - Jan 1957	9 years, 8 months	29 years, 8 months

Income Tax Reporting

If interest is reported annually, advise owners to keep tax payment records.

Series E/EE and I Bonds and Savings Notes
Interest earned is exempt from state and local income taxes. The difference between the purchase price and the redemption value is interest. The owner can defer federal income tax until redemption, a taxable reissue, or final maturity, whichever happens first. This means the owner can plan ahead and choose when might be the best time to realize the interest income for tax purposes.

There are also special tax benefits available to those who purchase bonds for education. If bond owners qualify, they can exclude all or part of the interest earned on eligible Series EE and I bonds from income for the year in which the bonds are redeemed to pay for post-secondary tuition and fees. See IRS Publication 970 or Education Savings Options below for more detail.

For federal income tax purposes, bond owners can report interest annually as it accrues or they can defer interest reporting. If interest is reported annually, or as the result of a taxable reissue transaction, advise owners to keep tax payment records. When bonds are cashed, an Internal Revenue Service (IRS) form 1099-INT will be issued for the full amount of interest, and owners will need records as proof of prior reporting to IRS.

Deferred interest must be reported for the year in which the bond (1) is cashed; (2) reaches final maturity (stops earning interest); or (3) is disposed of in some other way (reissuing the bond to some other eligible person), whichever event occurs first.

When reporting Series I bond interest, no distinction is made between interest earned from a fixed rate and that from an inflation rate.

For additional instructions, see "Interest Reporting" in Chapter 5.

Series HH Bonds
Bond owners who exchanged Series E/EE bonds or savings notes for Series HH bonds (before September 2004) could defer the tax liability on the E/EE bond interest accrued and at the same time receive income every six months. Bond owners could defer the original tax liability up to 20 years, the total life of the HH bond, at which time it will be reported to the IRS. The amount deferred must be reported when the bond (1) is cashed, (2) reaches final maturity (stops earning interest), or (3) is disposed of in some other way (reissued to some other eligible person), whichever event occurs first.

Interest earned on Series HH bonds, like that on Series E/EE bonds, is exempt from state and local income taxes. However, the semiannual interest payments represent current income and must be reported to the IRS for the year in which they are received.

Education Savings Options

Option 1 - Interest Exclusion from Taxes
Under 26 U.S.C. 135, the interest on Series EE and Series I savings bonds purchased January 1990 and after may be tax-exempt when used to (1) pay tuition and fees at qualified educational institutions or (2) make contributions to a qualified state tuition program (beginning with the 1998 tax year), provided the bond owners meet certain income and registration requirements. Details can be found in IRS Publication 970. This interest exclusion is also extended to Series I savings bonds. As an issuing or paying agent, this act does not require you to process any additional forms. You need only provide bond owners with the value and interest amount at the point of redemption. Bond owners must provide this information when claiming the interest exclusion on IRS Form 8815 shown later in this chapter.

To qualify for the interest exclusion:

- Bonds must have an issue date of January 1990 and after.

- Bonds must be issued in either one parent's name, both parents' names, or in the name of someone entitled to claim that child as a dependent for federal income tax purposes.
- Bonds cannot be issued in the name of the dependent child or any other individual as owner or co-owner. Anyone, including the dependant child, may be listed as the beneficiary on the bonds.
- Bonds must be issued to individuals who are at least 24 years of age on the first day of the month in which the bonds are issued.

The reason an individual must be 24 years of age to qualify for the interest exclusion is because the federal income-tax-reducing features of IRS regulations and the tax code (Title 26 of the U.S. Code) are often not available to someone who can be claimed as an exemption on someone else's IRS Form 1040. Consequently, the bond owner must be at least 24 years old before the bond is issued. Any tax benefit from the savings bond education feature is intended for parents who diligently save over a long-term.

The bonds must be redeemed in a year the bond owner pays qualified educational expenses (tuition and fees) to an eligible educational institution or a qualified state tuition program beginning with the 1998 tax year. Room, board, and books are not qualified educational expenses. Eligible educational institutions include colleges, universities, technical institutes, and vocational schools within the United States that meet certain federal standards. If tuition and fees are less than the total redemption value of eligible bonds cashed, the exemption is proportional to the percentage of the value that was used for tuition and fees. For example, if $10,000 worth of bonds are redeemed during the year but tuition and fees total only $8,000, 80% of interest income is exempt from federal income tax.

Income limits are adjusted annually for inflation.

Income limits apply to the taxpayer's modified adjusted gross income in the year bonds are redeemed and tuition is paid. These income limits are adjusted annually for inflation and can be found in IRS Publications 550 and 970. These limits are also reflected in the instructions for IRS Form 8815. Modified adjusted gross income includes the bond's accumulated interest before exclusion. Married taxpayers must file a joint return to be eligible for the exclusion.

To complete their tax return, bond owners should retain records for Series EE bonds they cash during the tax year in two separate groups: (1) bonds issued through 1989 and (2) eligible bonds issued beginning in 1990. This will help bond owners determine how much interest can be excluded from gross income in the year that qualified bonds are cashed. Bond owners should bear in mind that Series EE bonds purchased before 1990 do not qualify.

Advise bond owners to keep records of the bonds' serial numbers, face amounts, issue dates, and date(s) of redemption, the total proceeds received (purchase price and interest), the name of the educational institution paid, the amount of qualified expenses, and the date those expenses were paid. Bond owners may use IRS Form 8818 to record information about bonds eligible for the exclusion. When bonds are cashed, bond owners should use the form to record the total proceeds and interest.

For detailed information on record-keeping requirements and other tax information, refer your customers to their IRS District Office.

Form 8818

Bond owners may use IRS Form 8818 to record information about bonds eligible for the exclusion.

Form **8818**

(Rev. December 2002)

Department of the Treasury
Internal Revenue Service

Optional Form To Record Redemption of Series EE and I U.S. Savings Bonds Issued After 1989

(For Individuals With Qualified Higher Education Expenses)

▶ Keep for your records. Do not send to the IRS.

▶ See instructions on back.

OMB No. 1545-1151

Name	Date cashed

Part I **Series EE Bonds**

1 (a) Serial number	(b) Issue date (must be after 1989)	(c) Face value

2 Add the amounts in column (c) of line 1 2

3 Multiply line 2 by 50% (.50). This is your cost of the series EE bonds cashed 3

Next: If you also cashed series I bonds, go to Part II. Otherwise, skip Part II and go to Part III.

Part II **Series I Bonds**

4 (a) Serial number	(b) Issue date	(c) Face value

5 Add the amounts in column (c) of line 4. This is your cost of the series I bonds cashed 5

Part III **Total Redemption Proceeds and Interest**

6 Total redemption proceeds from the bonds listed in Parts I and II. Be sure to get this figure from the teller when you cash the bonds 6

7 Add lines 3 and 5. This is your total cost of the bonds listed in Parts I and II 7

8 Subtract line 7 from line 6. This is the total interest on the bonds listed in Parts I and II 8

For Paperwork Reduction Act Notice, see back of form. Cat. No. 10097L Form **8818** (Rev. 12-2002)

Form 8815

IRS Form 8815 includes the necessary worksheet and instructions to taxpayers for filing income tax returns**.**

Form **8815**

Department of the Treasury
Internal Revenue Service (99)

Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989

(For Filers With Qualified Higher Education Expenses)

▶ Attach to Form 1040 or Form 1040A.

OMB No. 1545-1173

2004

Attachment Sequence No. **57**

Name(s) shown on return | **Your social security number**

1 (a) Name of person (you, your spouse, or your dependent) who was enrolled at or attended an eligible educational institution	(b) Name and address of eligible educational institution

If you need more space, attach a statement.

2	Enter the total qualified higher education expenses you paid in 2004 for the person(s) listed in column (a) of line 1. See the instructions to find out which expenses qualify	**2**	
3	Enter the total of any nontaxable educational benefits (such as nontaxable scholarship or fellowship grants) received for 2004 for the person(s) listed in column (a) of line 1 (see instructions)	**3**	
4	Subtract line 3 from line 2. If zero or less, **stop.** You **cannot** take the exclusion	**4**	
5	Enter the total proceeds (principal and interest) from all series EE and I U.S. savings bonds **issued after 1989** that you **cashed during 2004**	**5**	
6	Enter the interest included on line 5 (see instructions)	**6**	
7	If line 4 is equal to or more than line 5, enter "1.000." If line 4 is less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places)	**7**	× .
8	Multiply line 6 by line 7	**8**	
9	Enter your modified adjusted gross income (see instructions) **9** **Note:** *If line 9 is $74,850 or more if single or head of household, or $119,750 or more if married filing jointly or qualifying widow(er),* ***stop.*** *You* ***cannot*** *take the exclusion.*		
10	Enter: $59,850 if single or head of household; $89,750 if married filing jointly or qualifying widow(er) **10**		
11	Subtract line 10 from line 9. If zero or less, skip line 12, enter -0- on line 13, and go to line 14 **11**		
12	Divide line 11 by: $15,000 if single or head of household; $30,000 if married filing jointly or qualifying widow(er). Enter the result as a decimal (rounded to at least three places)	**12**	× .
13	Multiply line 8 by line 12	**13**	
14	**Excludable savings bond interest.** Subtract line 13 from line 8. Enter the result here and on Schedule B (Form 1040), line 3, or Schedule 1 (Form 1040A), line 3, whichever applies ▶	**14**	

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

If you cashed series EE or I U.S. savings bonds in 2004 that were issued after 1989, you may be able to exclude from your income part or all of the interest on those bonds. Use this form to figure the amount of any interest you may exclude.

Who May Take the Exclusion

You may take the exclusion if all four of the following apply.

1. You cashed qualified U.S. savings bonds in 2004 that were issued after 1989.
2. You paid qualified higher education expenses in 2004 for yourself, your spouse, or your dependents.
3. Your filing status is any status except married filing separately.
4. Your modified AGI (adjusted gross income) is less than: $74,850 if single or head of household; $119,750 if married filing jointly or qualifying widow(er). See the instructions for line 9 to figure your modified AGI.

U.S. Savings Bonds That Qualify for Exclusion

To qualify for the exclusion, the bonds must be series EE or I U.S. savings bonds issued after 1989 in your name, or, if you are married, they may be issued in your name and your spouse's name. Also, you must have been age 24 or older before the bonds were issued. A bond bought by a parent and issued in the name of his or her child under age 24 does not qualify for the exclusion by the parent or child.

Recordkeeping Requirements

Keep the following records to verify interest you exclude.

- Bills, receipts, canceled checks, or other documents showing you paid qualified higher education expenses in 2004.
- A written record of each post-1989 series EE or I bond that you cash. Your record must include the serial number, issue date, face value, and total redemption proceeds (principal and interest) of each bond. You may use Form 8818, Optional Form To Record Redemption of Series EE and I U.S. Savings Bonds Issued After 1989.

For Paperwork Reduction Act Notice, see back of form. Cat. No. 10822S Form **8815** (2004)

Option 2 - Other Approaches to Handling Taxes on Bond Interest
Individuals who do not qualify for the interest exclusion can still use savings bonds to help with their children's education expenses. Details can be found in IRS Publication 929, "Tax Rules for Children and Dependents." Interest income on bonds purchased in a child's name alone or with a parent as the beneficiary (not a co-owner) can be included as income for the child each year as it accrues, or deferred until the bonds are redeemed. In either case, the child will be subject to any federal income tax on the interest. Whether annual or deferred reporting is most beneficial will depend on the child's income over the life of the bonds.

Interest income on bonds purchased in a child's name can be reported annually as it accrues or deferred until the bonds are redeemed.

Annual Reporting
A parent may file a federal income tax return in the child's name (the child will need to have a social security number), reporting the total accrued interest on all bonds registered to the child. The intention to report savings bonds interest annually (on an accrual basis), must be noted on the return. The option to report accrued interest income annually applies to all future years. Questions relating to conditions under which this reporting method may be changed should be referred to the IRS.

No tax will be due unless the child has a total income in a single year equal to the threshold that requires a return to be filed, and no further returns need to be filed until that annual income level has been reached. For children under age 14, unearned income (including dividends and interest) over a specified threshold for that age group will be taxed at the parent's rate. If the child is age 14 or older, income will be taxed at the child's rate. The income thresholds are indexed for inflation and are provided in IRS Publication 929.

Under this approach, the tax liability on the bond interest is satisfied on an annual basis; therefore, when the bonds are redeemed, only the current year's accrual will be subject to federal income tax.

When bonds are redeemed, all interest earned on the bonds must be reported to the IRS. Advise parents to keep complete records when using this option so they can show the IRS that interest has been previously reported.

Replacing a Paper Bond

If the intended recipient does not receive a bond, see "Bonds Not Received by Addressee Due to Loss or Theft" in Chapter 2.

Bonds lost, stolen, destroyed, mutilated, or not received will be replaced either by a substitute bond of the same denomination bearing the same issue date, or by payment for the current redemption value, provided the bond is at least 12 months old and sufficient information and evidence in support of a claim are supplied.

Bond Replacement: Owner must submit Form PD F 1048.

Once a bond has been delivered, any subsequent loss, theft, destruction, mutilation, or defacement should be reported to Bureau of the Public Debt, P.O. Box 7012, Parkersburg, WV 26106-7012 for Series E, EE, or I bonds, or Bureau of the Public Debt, P.O. Box 2186, Parkersburg, WV 26106-2186 for Series H or HH bonds.

The owner should submit a claim for replacement or payment of the bonds on form PD F 1048, which is available from your servicing FRB. The form and any remains of bonds that have been destroyed, mutilated, or defaced should be sent to the address indicated. All pertinent questions should be answered on the form. If a robbery, burglary, or theft is involved, and the bonds total $5,000 (face amount) or more, the bond owner should furnish a copy of the police report.

Furnishing serial numbers will help facilitate replacement of the bonds. If the owner does not know the serial numbers of the bonds, the following information should be provided:

- The series of the bonds (E, EE, H, HH, I).
- The issue dates of the bonds (month and year of purchase).
- The denominations of the bonds ($50, $75, etc.).
- All names, including the middle names or initials shown in the bond registrations.
- All addresses (street name and number, city, state, and ZIP code) that appear on the bonds.
- The social security numbers of all persons named first in the registration of missing bonds, including minors. If the bonds were purchased as gifts and the social security number of the purchaser was used in the bond registrations, that number should be provided if possible.
- The date of the theft or loss, or the circumstances leading to the bond's defacement, mutilation, or destruction.
- The serial number of any bonds still in the owner's possession.

If Public Debt can determine that the bonds in question are still outstanding (i.e., unredeemed), replacement bonds or, if missing bonds are at least 12 months old, a payment for their current redemption value will be issued in accordance with the owner's application.

Alert!

A bond for which no claim has been filed within ten years of the recorded date of redemption is presumed to have been properly paid.

If the records show that the bonds have been redeemed, the claim usually will be denied unless someone other than the owner or co-owner has cashed the bonds. In such cases, an investigation of the payment may be appropriate. However, *a bond for which no claim has been filed within ten years of the recorded date of redemption is presumed to have been properly paid.* Film records of paid bonds are maintained for ten years following the recorded redemption date. In addition, *no claim filed six years or more after the final maturity of a bond will be considered unless the claimant can supply its serial number.*

If a lost bond is found after a replacement bond or a payment of its redemption value has been issued, the owner must immediately return the original bond with an explanation to Public Debt.

Chain Letter Schemes

Issuing U.S. Savings Bonds as part of a chain letter or pyramid scheme is prohibited.

Do not accept orders for savings bonds in cases where you know or have reason to suspect that the bonds will be used in any type of chain letter or pyramid scheme. This applies even if the U.S. Postal Service will not be used to deliver the bonds.

Whenever there is a sudden sharp increase in the purchase of paper savings bonds issued to someone other than the purchaser or the purchaser's family, notify your local postmaster who, in turn, may alert the Office of the Postal Inspector.

Individuals who purchase savings bonds in connection with a chain letter scheme and later discover that their participation violated certain laws and regulations (including state laws), may request a refund of the original purchase price of the bonds by submitting the bonds and form PD F 2966 to their servicing FRB.

Gift purchases of savings bonds are legitimate and are encouraged by the Treasury as long as they are not associated with any type of fraudulent practice. Gift certificates are available to present to the owner pending receipt of the bond.